Contribution from Rent-A-Port Green Energy NV and SRIW-Environnement SA to Elia's Public consultation on the proposal of amendment of the T&C BSP aFRR

Rent-A-Port Green Energy NV (RAP-Green) and SRIW-Environnement (SRIW) understand that an amendment to the T&C BSP aFRR was needed considering the present market situation, and believe that the cap implemented by the proposed amendment is appropriate for dealing with the current, extraordinary, temporary and unexpected market situation (0 MW or very few DPPG prequalified capacity on aFRR).

However, RAP-Green and SRIW believe that the amendment fails to be proportionate, because unlimited in time, which creates important adverse effects.

It is indeed our understanding that the proposed limitation of the volumes on the "per-CCTU auction" (or "step 2" auction) to the volume of prequalified DPPG will remain applicable even when the market situation will be "fully normal", with sufficient liquidity on the per-CCTU auction. Under such normal market conditions, the market rules, extensively discussed among market parties, must apply for definition of the volume procured on the per-CCTU auction. RAP-Green and SRIW understand that this would not be the case with the proposed amendment: even if the price of the capacity procured in "step 2" in D-1 is competitive with prices observed on step 1 in D-2 in a way that should lead to increasing the volume procured per CCTU in step 2 as per the approved market rules, those step 2 volumes will not increase in case of insufficient prequalified DPPG units because of the volume cap introduced by the proposed amendment of the T&C.

This creates following adverse effects:

- This goes against the evolution towards the long term model defined by Elia, with the whole aFRR volumes procured through the per-CCTU auction. By definition, if the volume on that auction is capped to the DPPG prequalified volume, it is impossible to reach the situation where all aFRR volume, including the one procured from CIPU units, is procured on the per-CCTU auction. The signal sent to the market is the one of a long lasting "Chinese wall" between the "CIPU" auction in step 1 and the "DPPG" auction in step two. This is the exact opposite of the long term model promoted by Elia, and goes again the necessity to evolve towards a single, technology neutral level playing field.
- This creates discrimination against new entrants. Barriers for new entrants to take part to the Step 1 auction in D-1 are extremely high: because of the total cost optimum selection for a symmetrical service on that auction, even with a bid price that is fully competitive, there is a high risk that a new entrant with modest capacity isn't selected on that auction, because its selection would increase the total cost compared to selection of large capacity from a limited amount of large (CIPU) units. On step 2, the same bidder can face concurrence of cheaper bids on some of the CTTUs, including from CIPU units and therefore be deprived from revenues if the volume procured on step 2 is not sufficient. CIPU units can indeed take part to the per-CCTU auctions in step 2, and could offer very competitive service for selected CCTUs. Example: if there is 20MW prequalified DPPG, from which a 10 MW battery (within an aggregated portfolio), that battery could fail to be selected on step 1 while fully competitive for 24h delivery, but also fail to be selected for CCTUSs 8-12h and 12-16h for instance, because a CCGT planned to operate only at those hours and setting the marginal price on the spot market offers 20MW of aFRR at very low price for these CCTUs. If this is the case, rules agreed upon as a consensus between all stakeholders and the CREG should apply and the volume on step 2 should be incremented to increase the market size accessible to new entrants. Otherwise obvious market barriers are created.

- To foster a technology neutral level playing field, Regulation 2019/943, under Article 6, requires balancing capacity to be procured separately for up and down products, for 24 hour duration blocks and maximum 24 hours ahead. This is not the case in current case, for (almost) all aFRR volume that is procured in D-2 and symmetrically. This is only acceptable if evolution toward D-1 and asymmetric merit order procurement is not hindered by an arbitrary volume cap.

We believe that those adverse affects are far from being compensated by the advantages of such measure when significant MW of DPPG will be prequalified on the aFRR: the risk still exists that Elia must procure limited MW capacity for limited duration from CIPU units on step 2, with high prices as a result. The best and only option to avoid this situation is to allow volumes to increase on step 2 for being able to procure large CIPU capacity per CCTU, which is exactly what will be hindered by the proposed amendment.

We conclude that the proposed amendment, if our interpretation hereof is correct, would create a fundamental, unjustified and adverse change in the market rules that is totally inacceptable:

- First, the consensus reached among the market participants, Elia and the CREG after a long, time and energy consuming market design process would be fundamentally denied and disrupted in a way that would undermine the very rationale of having had such prior consultation.
- Second, at our particular level, we may suffer significant damage from the amendment. We have based our final investment decision for our recently announced 10MW battery project in Bastogne based on the market rules that were published by Elia after this long market design process, and assumed that a certain market stability would prevail, guaranteeing us satisfying access to the aFRR market. Apart from the long and consultative market design process that should guarantee such regulatory stability, Elia had also explicitely stated in the design note and workgroup presentations that the long term market vision was the per-CCTU auction, and that evaluation of the market rules would be made after 1 year and in order to evaluate how we can fasten, not slow down the evolution towards such long term market vision. We do not deny the right to Elia and the CREG respectively to make use of their prerogatives to propose and approve regulation changes, but we believe that it is totally unacceptable that such changes would increase market barriers to new entrants, reduce technology neutrality and create further deviation with the EU electricity Regulation.

RAP-Green and SRIW therefore believe that it is essential that the amendment would have an explicit temporary character.

It should therefore be clarified that rules for incrementing/decrementing volumes on step 2 based on the respective market results between step 1 and step 2 prevail on the rule capping the volume of step 2 to the volume of prequalified DPPG. With other words, as long as there are no DPPG prequalified, there is no step 2 auction. As long as there is less than 10MW DPPG, step 2 is limited to the prequalified DPPG volume, but as soon as there are more than 10MW prequalified DPPG, volume procured per CCTU on step 2 increases as per the previously agreed and extensively discussed market rules.

Elia told during the workgroup balancing that it would start a broader evaluation of the aFRR procurement rules. RAP-Green and SRIW understand that such evaluation is not the subject of the present consultation, however, RAP-Green and SRIW would like to make following preliminary remarks:

- One should avoid drawing premature conclusions because the market rules do not function optimally in a situation for which thy were not meant to optimally function (0MW prequalified DPPG);
- High prices have also been observed in a context of a CIPU captive market (ref 2011 – 2013 period, when it had to be defined by Royal Decree, or winter 2019);

- Regulatory stability is essential for attracting investments in new capacities needed to deliver aFRR, in particular in situations with high renewables causing low inertia on the grid. Our recently announced ESTOR-LUX 10 MW battery project in Bastogne proves that the rules implemented after long and extensive consultation with the stakeholders can successfully attract new investors on this market. Evaluation of those rules, before potential adaptation, was announced to happen one year after the go-live of the market, not one week, and Elia explicitely announced during the design phase and in the design documents that the potential modification after such evaluation should be in a way to promote evolution towards the final model, not delay such evolution. We therefore ask Elia to stick as close as possible to the message sent in the design phase, and to evaluate the market functioning after a sufficiently long period, and with the announced objective to evolve towards the long term model;
- Statement that with the new rules, no new entrants are observed at go live, should not lead to market changes making entry of new entrants even more complicated. Arrival of new entrants should be facilitated instead if one want to ensure long-term liquidity on the service, including in periods with low grid inertia (high RES);
- RAP-Green and SRIW urge Elia to move as soon as possible towards an aFRR procurement that fully complies with EU Regulation 2019/943 Article 6: in day-ahead, for maximum 24h periods, and with an asymmetric merit order based procurement instead of a symmetric total cost optimum selection. This could be done by providing for an intermediate step between current step 1 and step 2, “step 2a”, held together with the per-CCTU auction in D-1 but for 24 hour blocks, and by gradual volume allocation from step 1 to such step 2a. Alternatively, the option of allowing block bidding for several CCTUs (in the same direction) on step 2 should be investigated. We understand that this is not necessarily incompatible with merit order selection since such option for block bidding also is available on EPEX DAM.